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Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 23, No. 45 Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year November 13, 1989

001339OC NR
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CONGRESSIONAL INFORMATIO 14P
452O EAST-WEST HIGHWAY
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Rox Sand, right, and Spyro Scocos, in their restaurant.

States crack down on teen job hours

Officials fret: 'They're falling asleep in class'

by Peter Romeo

At a time when restaurateurs are gasping for teen-age labor, a number of states are striving to curtail the number of hours that high schoolers may work.

Tougher scheduling restrictions stand "a very good chance" of passing soon in Minnesota, according to Arnold Hewes, executive director of the Minnesota Restaurant Association. Bills curbing teen-agers' hours have also been introduced in the Legislatures of New York, North Carolina and New Hampshire.

In Indiana industry officials are scheduled to meet Nov. 14 with proponents of a bill that would set the hour to which 17-year-olds may work on nights preceding school days. Currently, there is no limit. "We're hoping to reach some kind of compromise," said Ron Roberts, director of membership services for the Indiana Restaurant Association.

The various measures all seek to prevent high-school students from working past 10 p.m. or 11 p.m. on school nights. Several also cap the overall number of hours the teens can work per week during the school year. For instance, a bill endorsed by New York Gov. Mario Cuomo would set a weekly cap of 28 hours and a nightly limit of four hours.

Minnesota — 16- and 17-year-olds would be barred from working past 11 p.m. on school nights.
New York — teens to be limited to 28 hours per week.
North Carolina — One proposal would limit teens to 20 hours per week.
Indiana — 17-year-olds would be barred from working past a certain hour on school nights; proponents have mentioned a 10 p.m. and an 11 p.m. limit.
Source: NRN

"Right now in New York, a 17-year-old high-school senior with a full class load can work 48 hours a week, any time from 6 a.m. to midnight," said Kathleen M. Do, director of public affairs for the New York State Department of Labor. "These young people are working more and more hours, and they're falling asleep in class."

(See STATES, page 201)

Upscale RoxSand rolls home delivery

by Tracey Taylor Woodard

PHOENIX, Ariz. — RoxSand Trans-continental Cuisine, a restaurant whose menu has always reflected different parts of the world, will now seek to serve different parts of Phoenix with the introduction of home and office delivery.

The restaurant, which is celebrating its first anniversary in the Phoenix location, hopes to see $100,000 in first-year delivery revenues.

"We believe there is a definite market for RoxSand in delivery," Rox Sand Scocos, chef-owner, said. "For the same price as

(See ROXSAND, page 201)

Operators assess bottom line in face of minimum-wage hike

by Peter Romeo

WASHINGTON — As President Bush prepares to sign the new minimum wage into law, food-service operators are frantically grabbing their payrolls and calculators to determine how much damage will be done to their bottom lines.

The assessments vary widely, with some number crunchers predicting doom even as others breathe a sigh of relief. Most seem to agree that the hike will indeed crimp profit margins but not so severely as many had feared. Congress, they point out, has attempted to implement a much higher hourly rate than the $4.25 it has now endorsed.

"The wage rate increase is significantly less than earlier proposals and represents a clear victory for the industry," the National Restaurant Association said in a prepared statement. But the association also voiced displeasure over President Bush's agreement

(See MINIMUM WAGE, page 199)

Pizza Hut franchisees fund contract battle

by Milford Prewitt

ST. LOUIS — Bracing for a fight over their contracts — set to expire in 1996 — Pizza Hut's licensees plan to raise more than $3 million for legal advice and potential court costs.

In an action that reveals deep frustration over the tone of company contract proposals, franchisees representing 2,300 Pizza Hut outlets met and voted 2,290 to zero to raise the money at a rate of $1,000 per store. Negotiations for a new contract began in March at the request of the franchisees.

Neither Pepsico nor Pizza Hut Inc. responded directly to the

(See PIZZA HUT, page 201)

INSIDE

Discounting craze
Charles Bernstein/Page 49

Hotel show preview
Focus/Page 71

Garbage crisis
Special report/Page 97

NRN unveils new look

With this week's issue, Nation's Restaurant News unveils a contemporary new design with bolder graphics and an easier-to-read format.

This redesign represents one of the biggest changes in Nation's Restaurant News since converting from a biweekly to a weekly five years ago.

The new format also signifies the evolution of NRN over the last few years to cover the entire industry, now summarized in our slogan: "The newsweekly of the food-service industry."

The page size is a little smaller, making it easier to handle for busy readers.

The headlines, in Helvetica Compressed, are bolder for greater emphasis.

Features and sections are more clearly marked so that readers can easily find what they are seeking.

(See NRN, page 199)

THIS WEEK

NEWS

7 After the quake: Operators struggle
7 Food shipments rushed to Santa Cruz
24 KFC opens 3,000th unit outside of U.S.
28 Le Cirque receives Gold Folk Award
34 Foodservice Summit to highlight COEX '90
42 NRN's Rusitzky merits Israel Bonds award
42 Gene & Georgetti's owner dies at age 73
47 Cornell students open midscale cafe
55 Doherty tackles Adam's Mark
58 Savannah chef banks on pure Southern tradition
63 Puck benefit revives the Old West
93 Houston chefs honored
94 Terczak's updates American home-style cooking
97 Special Report: The Garbage Crisis
126 Totta named Missouri Restaurateur of the Year
138 Thousands flock to Corpus Christi benefit
143 Boston food festival
146 Layout, menu key to Ritz-Carlton's fame
151 Marines launch $26 million food-service attack
155 Victory for Burger King
156 Flagstaff House named Wine List winner
156 NRN competition reveals promising wine programs
162 Hotel restaurants grab onto ethnic trends
167 Royal Viking Line christens luxury cruise-ship dining
168 Thomson named Georgia Operator of the Year
170 Putting food on Atlanta's Table

FOOD

11 Fabricant: Menus are featuring wild things
11 Food News Digest
11 What's Hot in Savannah, Ga.

MARKETING

12 Bob Evans seeks new image
12 Marketing Digest
12 Ad Watch: Kentucky Fried Chicken

FINANCIAL

14 Wendy's sales, profits stuck in neutral
14 Food Price Outlook: Juice concentrate prices drop
14 NRN Fact File
14 Financial Digest
202 Stock Tables

OPINION

38 Hochstein/Business suffers from alcohol warnings
49 Bernstein/Discounting craze: Quick fix, long headache
159 Patterson/Countertop cooking equipment
160 Walkup/French bistro in the Midwest
161 Martin/Culinary mixed marriages beget blessed events

FOCUS

71 Dan Rather to kick off Hotel/Motel Show in New York
72 New York Dining Guide
131 Managers must pay employees as never before
132 Ergonomics
134 International Hotel/Motel Show Schedule

FEATURES

4 Corrections
40-41 Book Digest
49 Letters
51 Side Dishes
51 Quotables
173 Products
176 On the Move: Suppliers
185 Classifieds
199 Advertiser Index

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Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $39.75; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except that last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 23, No. 46 November 13, 1989

NEWS BRIEFS

Section 89 set for repeal

WASHINGTON — Congress has cleared the way for a repeal of Section 89, a controversial tax law, by tacking a proposal to kill the measure onto a bill that sets the government's borrowing limits.

Another provision set to be added to the same bill would extend the Targeted Jobs Tax Credit — which gives employers a tax break for hiring disabled and economically disadvantaged workers — for another year.

Because the federal government would cease functioning if the so-called debt-ceiling bill is not passed, repeal of Section 89 and extension of the TJTC are viewed as virtual certainties.

Section 89 required employers to prove with bushels of paperwork that they did not discriminate when awarding employee benefits.

Compliance proved so cumbersome that Congress refused to provide the funds that were needed to enforce the law.

Domino's Pizza lays off 100

ANN ARBOR, Mich. — In cost-cutting moves designed to enhance the company's attractiveness to buyers, Domino's Pizza said it has laid off 100 employees from its headquarters and 13 regional offices, and that it would scale back some health and job benefits.

Employees will be required to share the cost of some health-care benefits now borne totally by the company. Company executives could not state how much more employees will be asked to bear.

The move to reduce the company's cost of job benefits comes two months after company founder, chairman and sole stockholder Tom Monaghan announced that he is contemplating the possibility of selling Domino's, the second-largest pizza chain.

The company said it had decided as far back as 1987 to reduce its health-care expenses but had done little to accelerate that effort until Monaghan's announcement.

Investment group ups Rally's stake

LOUISVILLE, Ky. — A stockholders' group seeking control of Rally's Inc. has raised its stake in the fast-food operator and asked fellow shareholders to support an effort to reshuffle Rally's board of directors.

The group — led by dissident directors Burt Sugarman, James Trotter II and William Trotter II — has prepared forms that would grant consent for the replacement of three other members of Rally's nine-person board. If successful, the effort would put six seats under Sugarman's control.

In addition, the Sugarman-led group has raised its Rally's stake to 46.4 percent, from 45.2 percent, of the total shares outstanding.

Rally's management has attempted to fend off Sugarman and his allies by redeeming a shareholders' rights plan.

However, the company indicated that it has met with representatives of Sugarman's group "in an effort to resolve certain disputes with the company."

Licensees agree on cross-chain deals

ST. LOUIS — The first-time-ever meeting between the franchisee leadership of Kentucky Fried Chicken, Taco Bell and Pizza Hut — Pepsico's three restaurant chains — has yielded a number of cross-chain business ventures.

Perhaps the most surprising was a plan by some Pizza Hut franchisees to begin buying from the KFC National Purchasing Cooperative as an experiment to get a lower price for goods delivered to the store. The action comes after some company-operated KFC stores transferred 360 units out of the KFC buying co-op to the Pepsico Food System, an action described as a test.

The three chains' franchisees said they also intend to explore the creation of buying cooperatives for hospitalization, casualty and liability insurance.

Presidents of the respective franchisee associations expressed enthusiasm about the meeting and said the groups have agreed to meet in 90 days in order to develop some of their plan more concretely.

NY Le Peep adds dinner

GREAT NECK, N.Y. — A unit here of Le Peep has broken with the ailing chain's tradition by adding dinner service. The restaurant has also changed its name to Le Peep Grill.

In an unrelated development, the Denver-based chain has acquired two units from Peeple Foods, a Chicago franchisee, for an undisclosed amount.

Le Peep was conceived as a breakfast-and-lunch place, with a menu featuring a wide array of egg-based items. The system's franchisor reported a net loss of $5.6 million for 1988 and a loss of $3.7 million for the prior year.

Fast Track to add 59¢ hamburgers

BATON ROUGE, La. — Fast Track USA, a major player in the rapidly expanding drive-thru-only segment, said it plans to introduce a 59-cent burger.

The 4-year-old company, which owns and franchises 25 stores in Louisiana and Florida, is one of the few drive-thru specialists to offer breakfast as well as burgers. The chain also sells a 300-calorie turkey sandwich.

"Fifty-nine cents is a major number in this business," said Fast Track chief executive Mitch Richardson. "Taco Bell has proven that."

Agency cautions Canadian tax may hike inflation

OTTAWA — A quasi-government agency has warned that the controversial goods-and-services tax, the nation's first direct national sales tax, would jolt Canada's economy by fostering an "inflationary bubble" in 1991.

The report lends credence to restaurateurs claims' that the sales tax would dampen sales and squeeze profit margins by instantly raising restaurant prices by 9 percent. Grocery products are exempt from the sales tax, which is scheduled to go into effect in 1991. The Canadian food-service industry is attempting to expand the exemption to include foods sold by restaurants.

The Economic Council of Canada, a government-funded body, predicted that the goods-and-services tax would hoist the nation's inflation rate to 7 percent in 1991. However, the agency said, the rate of increase would subsequently abate to pretax levels.

Pact with Japan could boost food-service sales

WASHINGTON — An agreement between the United States and Japan to bolster tourism by increasing air traffic between the two countries could bring the hospitality and food-service industry billions of dollars in revenues in the near future.

In what is being hailed as one of the farthest-reaching travel pacts between the two countries in 40 years, air traffic between Japan and the United States will increase by 50 percent.

The agreement will allow U.S. airlines to offer new non-stop service from six American cities to Japan. In return, Japanese airlines will be permitted to offer new direct combination service to three U.S. cities from Tokyo.

Additionally, the Japanese will be permitted to operate flights to three other American cities from airports other than those in Tokyo and Osaka.

San Francisco, Denver, Chicago, Honolulu and scores of other American cities are competing for the Japanese traffic.

San Diego sets truth-in-menu inspections

SAN DIEGO — The county Environmental Health Division has disclosed plans to begin inspecting restaurants' menus to verify that bills of fare accurately describe what the places serve.

For instance, the agency indicated, inspectors will check to see if the crabmeat salad listed on the menu is indeed prepared with crabmeat rather than with surimi. The effort is intended to nab operations that mislead patrons by using ingredients that are inferior to the products listed on menus.

The unannounced inspections will be conducted quarterly, the agency told The San Diego Union, a local newspaper.

NRN MUFSO date set for LA

LOS ANGELES — Nation's Restaurant News has set the date of the 31st annual Multi-Unit Food Service Operators (MUFSO) leadership conference at the Century Plaza Hotel, Los Angeles.

The meeting will be held from Sunday, Sept. 30, to Wednesday, Oct. 3, 1990.

MUFSO was previously hosted by the Century Plaza in 1983 and 1987. This year's MUFSO was at the New Orleans Hilton, Sept. 10-13.

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Publisher also of Discount Store News, National Home Center News, Drug Store News, Accounting Today, Chain Store Age Executive (with Shopping Center Age), *APPAREL merchandising*. Affiliates: Business Guides Inc., Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

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NEWS

Chef Szathmary urges creation of journeyman training program

by Rick Telberg

ST. AUGUSTINE, Fla. — Chef Louis Szathmary, whose efforts in the 1970s helped create a system of professional apprenticeships for chefs, is calling on chefs again to establish the next level of professional training — a formal journeyman program.

Szathmary, famed as the owner of the now-closed Bakery restaurant in Chicago, said it is time the hospitality industry, rather than reviling the initial job hopping that new culinary graduates must engage in to complete their educations, recognize and support it.

"It is not irresponsible," Szathmary said. "That is exactly what the young man or woman must do before becoming a master chef."

The challenge came at an awards ceremony for Szathmary himself and two former executives of the L.J. Minor Corp., who were being recognized by the American Culinary Federation here for their efforts in raising the status of chefs in America.

Louis J. Minor, founder of the maker of flavor bases, and John D. McLaughlin, former president of the company, received the first Chef Professionalism Awards with Szathmary for their efforts, more than a decade ago, in convincing the U.S. Labor Department to officially redefine chefs as professionals instead of domestic servants.

It was a Szathmary speech to an ACF convention in 1977 that galvanized the chefs' group, now 18,000 strong, to fight the appellation.

In opening his 1977 talk Szathmary had said, "Welcome, fellow domestics."

The crusade was picked up by Louis J. Minor, who provided funding for the project and enlisted McLaughlin, then a newly retired lieutenant general from the Army, to navigate the tricky bureaucratic waters of Washington, D.C.

The key to the Labor Department's change came in January 1979 as a result of the ACF's creation of an approved apprenticeship program, which is still going strong today.

So Szathmary's call for a journeyman's program came at a seemingly poignant moment when the ACF's apprenticeship effort has been established.

He suggested that new graduates be run through an externshiplike program, hopping from one establishment to another every four to six months and all the while earning credits toward an ACF certificate.

Authorities examine origin of regional cuisines

by Carolyn Walkup

CHICAGO — The nation's best-known food authorities gathered here to feast as well as to ponder the origins of the foods they eat, their evolution to today's status of gastronomy as an art and the health risks of consuming certain products.

The American Institute of Wine & Food's seventh international conference on gastronomy also celebrated the foods and the professional culinary talents of the Midwest at tastings and meals. First-day seminars explored ethnic and historical influences on Midwest foods and beverages.

"Eating is really a communal matter," Jeff Smith, host of "The Frugal Gourmet" on PBS television, noted in his lively introductory talk. "The table is the oldest form of communication." People who grew up eating TV dinners silently in front of the television now insist that the whole family eat together in the dining room, he said.

Smith pointed out that among the Midwest's culinary inventions are the deep-dish pizza, the chicken pot pie and the first full frozen meal. Recalling his first taste of a new product after World War II, Spam, which his mother served his family, he quipped, "I thought we'd lost the war."

He also cautioned that Americans have lost control over the foods they eat, and that big business has taken control.

Meryle Evans, food historian and editor of "The American Heritage Cookbook" and other works, noted in her presentation, "The Imperfect Melting Pot," that taverns and cafes were an important way for European immigrants to preserve their traditions when they arrived in the Midwest. "Food is a symbol of our continuity with our past," she explained.

Today many of the dishes brought here from the Old World are being revived in ethnic food festivals, such as an annual one in Milwaukee featuring some 40 cuisines, and at various celebrations at ethnic museums and churches, Evans said.

An attendee expressed concern that Americans are destined to lose their ethnic traditions as older generations die. But another attendee, restaurant reviewer and retired college professor Stuart Silverman, said traditions will not die because the third generation of most ethnic groups to live in the United States generally revives them after the second generation puts them aside in an effort to assimilate.

"We are going through a big phase of nostalgia," Silverman said.

The opening night celebrity-chef-studded tasting-reception featured artfully decorated tables of foods from some 25 restaurants from the Midwest.

Bistro niche heats up with Tuohy's new Chefs' Grill

(Continued from page 3)

"I'll have to battle another image problem — this time the stigma of the arts center cafeteria," added Tuohy, whose 4,600-square-foot Chefs' Grill takes the space occupied by Pentimento, a before-and-after concert spot specializing in buffet and heat-and-serve à la carte, in the Woodruff Arts Center complex.

Aiming to become a destination for the area, a place where the concierges send guests, Tuohy will serve California, Italian and Spanish wines with his thin-crusted pizzas and other light fare, made from herb-infused oils, salsas, chutneys, relishes and vinaigrettes.

"I'll close on Monday but serve a five-day lunch, a six-day dinner and a Sunday brunch," Tuohy said.

In a market where the tablecloth segment is being redefined with a casual flair, Tuohy has the momentum of a new dining form in his favor. The question is: Do symphonygoers — expected to become a large part of weekend traffic — own a part of that mentality?

Tuohy will have to wait a few weeks to find out. In any event, lunch may far surpass his dreams if one takes into account the explosion of office growth in the area where Chefs' Grill is destined.

"Lunch there is a big opportunity," agreed Tuohy, whose restaurant will be only a block from The Country Place, one of Peasant Restaurants' biggest-grossing operations. Also in the neighborhood is Cafe Petrus, the new dining side of Limelight founder Peter Gatien's $4 million Petrus, a club that opened in June.

Tuohy — who is changing the actual physical structure of the Woodruff Arts Center building to open Chefs' Grill — cutting the northeastern wall to create a greenhouse dining area — will use his Chefs' Cafe mailing list to draw business early on.

> Tuohy has the momentum of a new dining form in his favor.

Anticipating check averages of $9-$10 for lunch and $20-$22 at dinner, he will install Justin Ward — a one and one-half year veteran at Chefs' Cafe — as executive chef, supported by two sous chefs.

Meanwhile, Alex LaBorwit will take over as executive chef at Chefs' Cafe, with support from a sous chef and a first cook. Tuohy does not confirm reports that Chefs' Cafe may discontinue lunch service after Chefs' Grill opens.

CORRECTIONS

An advertising supplement, titled "Franchising," between pages 74 and 75, Oct. 30, failed to be labeled, in accordance with NRN policy, that it was advertising material. In fact, the NRN editorial department neither produced nor reviewed the material before publication.

An article in the supplement, "What will the FTC do?" has been disputed by the International Franchise Association as unbalanced and incorrect.

The article appeared to suggest, the IFA says, that the IFA opposes a Federal Trade Commission attempt to limit franchisors' ability to oust undesirable franchisees.

The IFA has responded that, although the IFA does, indeed, oppose the proposal, the FTC is not considering it. Instead, the IFA's opposition is aimed at the North American Securities Administrators Association, which made the proposal, the IFA says.

The IFA also says the FTC has begun a separate rule-making procedure aimed at standardizing franchise laws across the nation, which the IFA, in fact, supports.

* * *

"NCS loses $7.4 million," Oct. 30, page 12, and "Stop N Go Upscales take-out food selection," Nov. 6, page 3, misstated the financial results for National Convenience Stores, operator of the Stop N Go convenience-store chain.

Net income for the quarter ended Sept. 30 was $7.4 million, compared with a year-ago profit of $1.4 million. Operating income for the most recent quarter was $3.8 million.

FINANCIAL NEWS

Wendy's sales, profits stuck in neutral in third quarter

by Rick Van Warner

DUBLIN, Ohio — Wendy's International's profits and sales remained flat during the third quarter despite higher customer counts and heightened advertising awareness from the 3,754-unit hamburger chain's campaign featuring founder David Thomas.

For the three months ended Oct. 1, Wendy's net income rose less than one-half percent, to $8.7 million. Revenues dipped 2 percent, to $269.2 million, while chainwide sales rose a modest 4 percent, to $787 million.

Explaining the revenue decline, Wendy's noted that it operated 46 fewer company stores than it did in last year's quarter. Most of the units were sold to franchisees, it said.

"I think they've bottomed out, but it becomes a question of how long the hockey stick is, how far they can go bumping along the bottom," said analyst Steven Rockwell of Alex. Brown & Sons, a Baltimore-based firm. "Couponing came down a bit, which was good. We'll have to wait to see how the value menu performs."

The jury is still out on the new Super Value Menu, which was introduced to company restaurants during the quarter. The menu, a collection of seven or nine menu items priced at 99 cents each, increased both customer counts and profitability during testing, Rockwell noted.

Designed to foster a value perception among Wendy's customers, the new 99-cent menu offers somewhat smaller versions of sandwich offerings and larger versions of other items, such as french fries. An early big seller on the 99-cent menu is a junior bacon cheeseburger, a burger with cheese, two strips of bacon, lettuce, tomato and mayonnaise, Wendy's said.

Through the first three quarters, Wendy's has steadily decreased couponing as a percent of gross sales, Rockwell said, to just 1.8 percent in the latest quarter, from 3.3 percent in the second quarter and 6 percent in the first quarter.

Wendy's chief executive, James Near, said customer transactions were up 3 percent during the third quarter from the figure for the year-ago period.

"New customers are coming in, and we're confident our quality will keep them coming back," he said.

Meanwhile, consumer awareness of Wendy's advertising has reached its highest level in four years, Near said. Surveys show that nearly 75 percent of respondents recall the commercials featuring Wendy's founder Thomas, Near said.

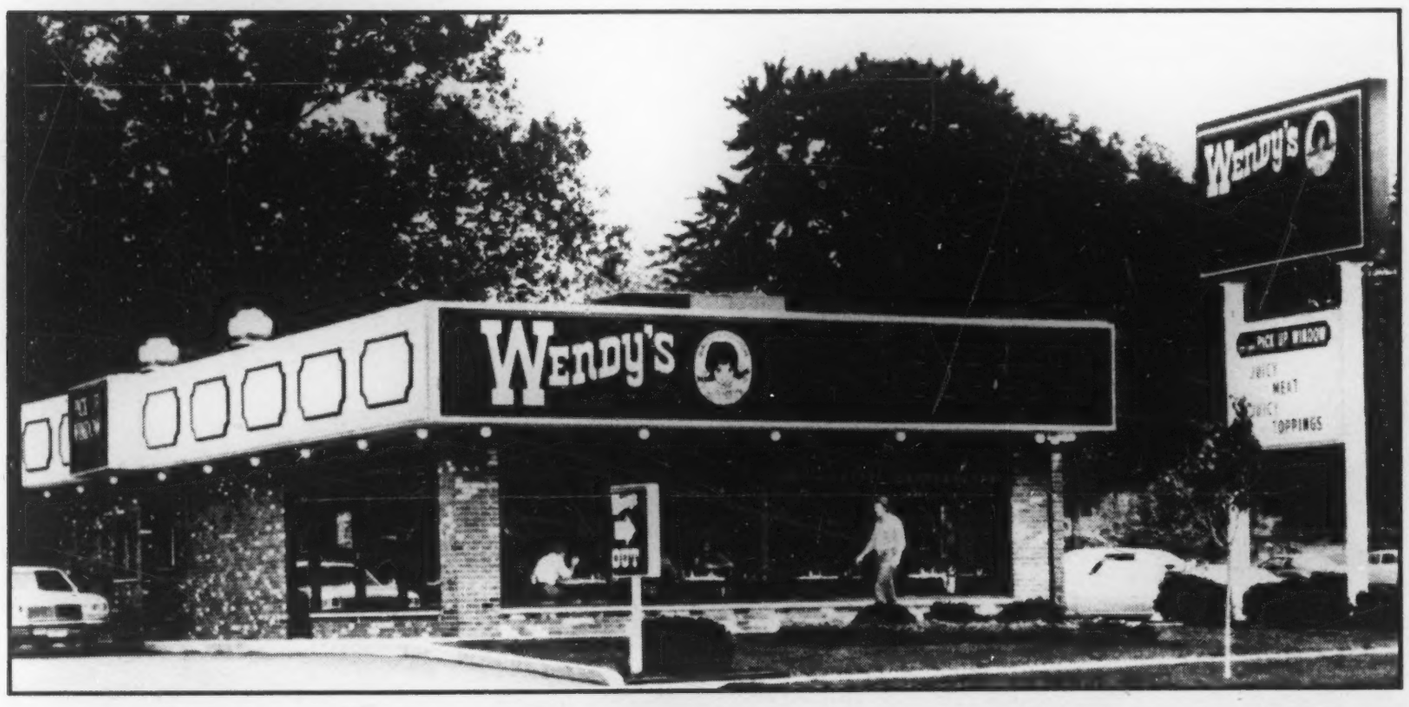
"Our advertising awareness has doubled since Dave has been in the commercials," Near said.

Near also said the company will resume expansion and "plans to break ground on at least 100 new restaurants systemwide in 1990."

For the nine months ended Oct. 1, Wendy's net income rose 13 percent, to $24.6 million, on a 1- percent increase in revenues, to $808.6 million.

Systemwide sales through the first three quarters climbed 5 percent, to $2.3 billion.

The year-to-date results include an accounting change in the year-ago first quarter, which had a cumulative one-time effect of increasing net income by $5.2 million.



A Wendy's Old Fashioned Hamburger restaurant.

FOOD PRICE OUTLOOK

Frozen orange juice concentrate prices drop

by Patt Patterson

Florida packers have announced price reductions for private-label frozen orange juice concentrate even though that state's production is down from last year's. Plentiful and less expensive Brazilian concentrate has made the difference. Price reductions are running about 10 percent so far.

Catfish prices are trending down, with producers sending more than 15 percent more to processors than they did last year.

U.S. shrimp production is up from last year's level but still below normal. However, imports are making up the difference. Smaller shrimp prices are strong; larger sizes, a bit weaker.

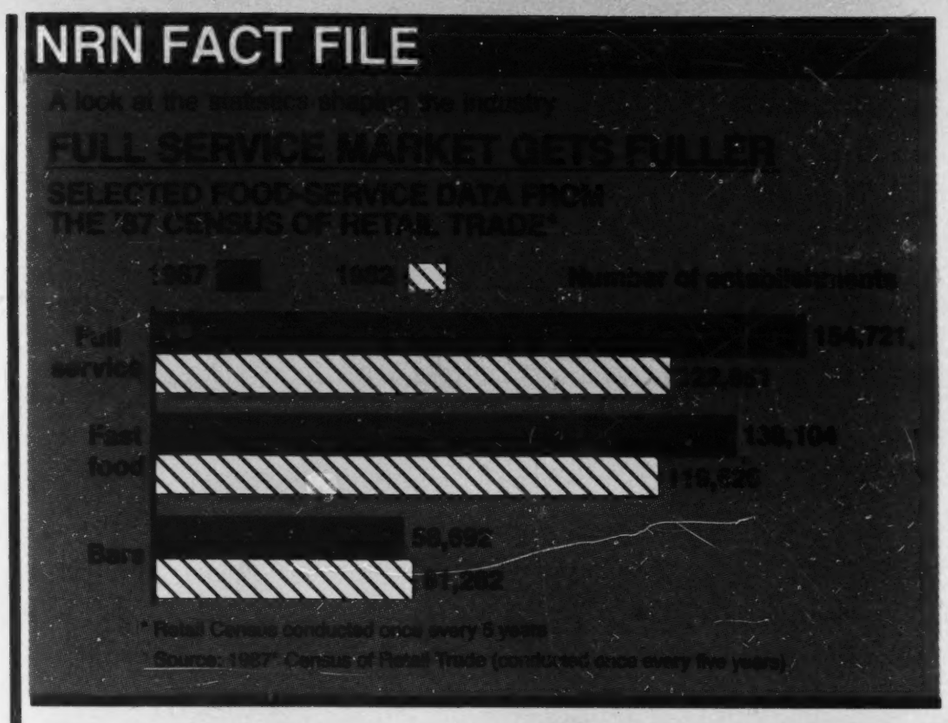
Domestic cheese prices are near record highs, and further increases are expected. Pizza chains are finding Mozzarella prices up and supplies already being allocated by some manufacturers. It is possible that some makers of American cheese may start allocating shipments.

The U.S. Department of Agriculture said poorer-quality feeding conditions has dropped yields from 10 pounds of cheese per 100 pounds of milk to only nine per 100. Demand has increased, and not only from commercial restaurants. With no free cheese distribution to schools, buying pressure is heavy from that sector.

The fisheries industry is encouraging the House Agriculture Committee to transfer seafood inspection from the National Marine Fisheries Service to the U.S. Department of Agriculture.

Lee Weddig, head of the National Fisheries Institute, told the committee that the USDA, although inexperienced in seafood, has been involved in large-scale food inspection operations in the field and has widespread overseas capabilities. That could mean better, more reliable standards for buyers, although it would probably imply increased costs for inspected seafood.

NRN FACT FILE



FINANCIAL DIGEST

Gain from restaurant sale gives Perkins 32% boost in profits

MEMPHIS, Tenn. — A onetime capital gain received from the sale of eight restaurants to an existing franchisee helped Perkins Family Restaurants post a 32-percent hike in profits, to $4.6 million, for the third quarter ending Sept. 30.

The 350-unit restaurant chain based here said third-quarter revenues hit $45 million, a 14-percent increase from the year-ago figure.

However, the company said that the gain from the sale of the eight units was partially offset by operation costs incurred in the conversion of nine restaurants in Orlando, Fla., to the Perkins concept.

Ciatti's two new units help boost profits 166%

MINNEAPOLIS — Ciatti's Inc. said first-quarter profits jumped 166 percent, to $214,000.

Revenues for the quarter, ended Oct. 1, rose 57 percent, to $3.8 million. The figures mark the Italian-themed dinner house's fifth consecutive quarter of increased profits.

Sales figures for the five original Ciatti's units were up 7.2 percent over last year's results, while the newly opened units in Eden Prairie and Burnsville, Minn., accounted for the remaining sales increases.

Shoney's to report write-off from debt restructuring

NASHVILLE, Tenn. — Shoney's Inc. said it would report a $2.5 million write-off in its fourth quarter, resulting from a restructuring of debt incurred in its $728 million recapitalization last year.

The company said it would report the write-off as an extraordinary item in its 1989 operating results.

In a deal with the leading bank in its lending syndicate, Shoney's restructured $160 million of its $410 million in outstanding debt from the recapitalization. The chain has already paid back $175 million of the $585 million it borrowed for the recapitalization.

By reducing the effective interest rate on the remaining debt, the restructuring should save the company about $4 million in interest expense next year, Shoney's said.

Ryan's 3rd quarter net jumps 15 percent

GREENVILLE, S.C. — Ryan's Family Steak Houses Inc. said third-quarter profits soared 15 percent, to $5.8 million, on a 22-percent leap in revenues, to $63 million.

For the nine months ended Sept. 27, year-to-year net earnings were up 10 percent, to $16.1 million. Revenues for the nine-month period rose 23 percent, to $178.6 million.

Ryan's owns and operates 107 budget steak houses and franchises 30 units.

Two Pesos loses $653K in second quarter

HOUSTON — Two Pesos Inc. said it lost $653,000 for its second quarter ended Sept. 30, compared with net earnings of $52,000 in the year-ago period.

Year-to-year revenues for the period dipped 5 percent, to $11.1 million. The loss includes a provision of $660,000 for the disposition of certain assets from two Oklahoma City stores closed during the quarter.

For the six-month period, Two Pesos lost $791,000, compared with a $723,000 loss in the year-ago period, on a 2-percent drop in revenues, to $21.8 million.